

Chapter 20 Export to SAARC Member Countries.

Introduction

Established in 1985, SAARC or South Asian Association for Regional Cooperation is a group of eight countries including India, Pakistan, Sri Lanka, Afghanistan, Maldives, Bhutan, Bangladesh, and Nepal. They all are neighbor countries that share a lot of similarities in terms of religion and culture. Because of this Indian has adopted a liberal trade policy with these countries.

Apart from SAARAC, India is also a member of BIMSTEC (Bangladesh, India, Myanmar, Sri Lanka, and Thailand Economic Co-operation), International Monetary Fund (IMF), the World Bank and the Asian Development Bank (ADB). India is even a founding member of GATT and the World Trade Organisation (WTO).

South Asian Free Trade Area (SAFTA)

The Agreement on South Asian Free Trade Area (SAFTA) was signed at Islamabad during the Twelfth SAARC Summit on 6 January 2004. The Agreement on South Asian Free Trade Area (SAFTA) was signed by all the member states of the South Asian Association for Regional Cooperation (SAARC), namely, India, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka. India, Pakistan and Sri Lanka are categorized as Non-Least Developed Contracting States (NLDCS) and Bangladesh, Bhutan, Maldives and Nepal are categorized as Least Developed Contracting States (LDCS).

Article 7 of the SAFTA Agreement provides for a phased tariff liberalization programme (TLP) under which, in two years, NLDCS would bring down tariffs to 20%, while LDCS will bring them down to 30%. Non-LDCS will then bring down tariffs from 20% to 0-5% in 5 years (Sri Lanka 6 years), while LDCS will do so in 8 years. NLDCs will reduce their tariffs for L.D.C. products to 0-5% in 3 years. This TLP covers all tariff lines except those kept in the sensitive list (negative list) by the member states.

Preferential Trade Agreement (PTA)

Preferential Trade Agreement (PTA) is a special type of agreement that gives access to only certain goods. Preferential Trade Agreement is done by reducing tariffs, but it does not abolish them completely. PTA is established through trade pact and it is the weakest form of economic integration. Among the SAARC countries, India enjoys PTA with the Afghanistan. Other countries that have PTA with India are Chile and MERCOSUR (a trading bloc in Latin America comprising Brazil, Argentina, Uruguay and Paraguay).

Export to Afghanistan

India has a signed a Preferential Trade Agreement (PTA) on March 6, 2003 with the Afghanistan, according to which preferential tariff is granted by the Government of Afghanistan on eight items exported from India including tea, medicines, sugar, cement.

Export to Bangladesh

Bangladesh is one of the largest export markets for Indian trade. The bilateral trade between the two nations is carried out as per guidelines given in the Bangladesh Trade Agreement which provides beneficial arrangement for the use of waterways, railways and roadways passage of goods between two places in one country through the territory of the other.

Major items exported from India to Bangladesh include wheat other cereals, dairy products, oils meals, cotton yarn, fabrics, made ups, petroleum crude and products, plastic and linoleum products rice machinery and instruments and primary and semi finished iron and steel, pulses transport equipments drugs pharmaceuticals and fine chemicals processed mineral manmade yarn, fabrics, made ups manufactures of metal and fresh fruits and vegetables.

Export to Bhutan

The Free Trade Agreement between India and Bhutan provides for free trade between the two countries. Under this agreement India also provides shipment facilities through Indian Territory for Bhutan's Trade

with third countries. All the export transactions are carried out in Indian Rupees and Bhutanese Ngultrum. Major items exported from India to Bangladesh include metals machinery and instruments, machine tools transport equipments, electronics goods rice (other than basmati), spirit and beverages, miscellaneous processed items primary and semi finished iron and steel and cereals.

Export to Sri Lanka

After Bangladesh, Sri Lanka is the biggest export market for India. Trade between the two countries is carried out as per guidelines mention in the Indo-Sri Lanka Free Trade Agreement (SAFTA). Major items of export from India have been pulses, wheat, other cereal spices, oil meals, fresh vegetables, miscellaneous processed items, drugs pharmaceuticals and fine chemicals inorganic/ organic agro chemicals rubber manufactured goods except footwear, glass , glassware ceramic and allied products paper/wood products plastic and linoleum products non ferrous metals manufactures of metals, machinery and instruments, iron and steel bar/rod etc. primary and semi finished iron and steel, electronic goods, cotton yarn, fabric, made ups, and petroleum crude and products.

Export to Nepal

India-Nepal Trade Treaty between India and Nepal is signed for the time period of five years. Under this trade agreement major items exported from India include drugs , pharmaceuticals and fine chemicals, petroleum product, pulses, transport equipment, rice other than basmati, tobacco, manufactured, spices, oil meals fresh fruits and vegetables, miscellaneous processed items, ores and minerals glassware/ceramics, manufactures of metals, primary and semi finished iron and steel and cotton yarn fabrics made ups.

Export to Maldives

Trade between India and Maldives is governed by the rules as mentioned in the Indo-Maldives Trade Agreement signed on 31st March 1981. Under this agreement Indian major exports itmes to Maldives include rice other than basmati, sugar, fresh vegetables, miscellaneous processed item, drugs, pharmaceuticals and fine chemicals plastic and linoleum products, manufactures of metals and machinery equipment. India and Maldives also shares the status of "Most Favored Nation" with each other.

Export to Pakistan

No trade agreement has been signed between India and Pakistan till 2007. Although India has granted the status of "Most Favoured Nation" to Pakistan since 1996 but Pakistan has yet to reciprocate by granting this status to India.

Indian exports to Pakistan are restricted to a list 773 items known as Positive List and include rice other than basmati, spices, oil meals, iron ore, drugs, pharmaceuticals and fine chemicals rubber manufactured products except footwear, plastic and linoleum products, manufactures of metals and petroleum crude and products.